

BLOM Lebanon PMI[®]

PMI hits ten-year high in June as activity and demand rise

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Strongest improvement in Lebanese private sector since June 2013

Business activity, employment and new orders increase

Input cost inflation slows to 21-month low

The BLOM Lebanon PMI[®] signalled the first improvement in the private sector economy since August 2022 during June, with growth hitting a ten-year high as new orders, employment and business activity posted renewed expansions.

Meanwhile, the overall rate of input price inflation eased to a 21-month low amid a further easing of purchase cost pressures.

The headline figure derived from the survey is the Purchasing Managers' Index[™] (PMI[®]). The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The headline BLOM Lebanon PMI[®] rose above the critical 50.0 threshold which separates growth from deterioration during June. At 50.2, the headline index

was up from 49.4 in May to signal the first improvement in the health of Lebanon's private sector economy since August 2022. Additionally, the PMI reached its highest level in ten years, although was indicative of only a marginal improvement since the previous month.

June's decade-high PMI reading was driven by several of the index's sub-components. A significant contribution came from new orders, which rose at the second-fastest rate in the survey history during June and to the greatest extent since May 2013. The improvement in demand reflected greater sales to both domestic and foreign customers.

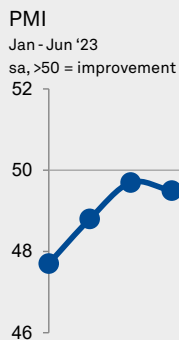
The latest survey data signalled a third consecutive monthly increase in new business received from non-domestic markets. This subsequently marked a longest uninterrupted sequence of export demand growth since the survey began in 2013. The latest increase in new external sales was the slowest over this current period of expansion,

BLOM Lebanon PMI
sa, >50 = improvement since previous month



50.2

LEBANON PMI
JUN '23



however.

Amid greater intakes of new business, private sector firms in Lebanon recorded an uplift in backlogs of work. The accumulation in unfinished orders was modest but the strongest since May 2013.

Consequently, output levels were raised to match workloads. The rise in business activity, albeit marginal, was the quickest in just over a decade. Employment also increased as firms raised capacity to accommodate for greater sales.

For the first time since October 2019, there was a shortening of supplier delivery times in June. Improved

vendor performance coincided with the strongest rise in purchasing activity since January 2015. Stocks of purchases also rose at the end of the second quarter.

Cost pressures subsided during June. The overall rate of input price inflation slowed to a 21-month low, reflecting a weaker rise in purchase costs. Staff expenses increased, albeit fractionally, while output charges rose modestly.

Lastly, despite broadly positive developments, business confidence fell to a four-month low, with firms reporting concerns towards the outlook due to domestic political and economic uncertainty.

Comment

Commenting on BLOM Lebanon PMI for June 2023, Dr. Ali Bolbol, Chief Economist / Head of Research at BLOM Bank, said:

“It took ten years for the BLOM Lebanon PMI to hit a high of 50.2 in June 2023. The improvement was a long time in coming, but perhaps it was largely expected. The economy registered positive growth in 2022 and its momentum is carried over to 2023, especially with the onset of the tourist summer season and as attested by the better sub-components of the PMI. It is plain to see that the economy is adjusting upwards from its deep

lows of the crisis years; but the worry is that these positive, tentative steps are viewed as ‘back to normal’, and consequently obviate the need for vital structural reforms that would underpin genuine, solid, and steady growth.”

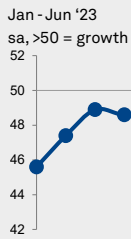


PMI®

by S&P Global

Output and demand

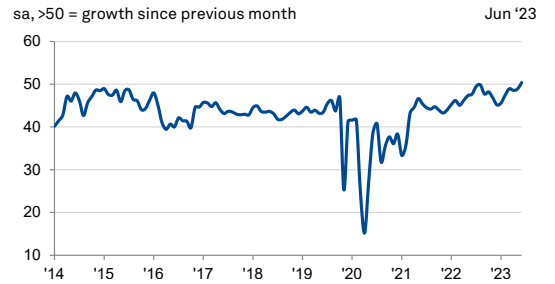
Output Index



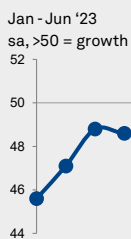
Output

For the first time since May 2013, the seasonally adjusted Output Index recorded above the 50.0 no-change mark in June, indicating an expansion in private sector business activity across Lebanon. In fact, the latest survey data signalled the second best monthly performance of the Lebanese private sector economy since data collection began over a decade ago.

Output Index



New Orders Index



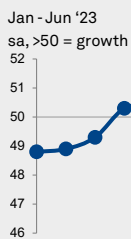
New orders

Supporting June's expansion in business activity was an improvement in demand conditions. This was evidenced by the seasonally adjusted New Orders Index registering above the neutral 50.0 threshold. The increase in new business was the strongest since May 2013 and reflected greater sales to both domestic and foreign clients.

New Orders Index



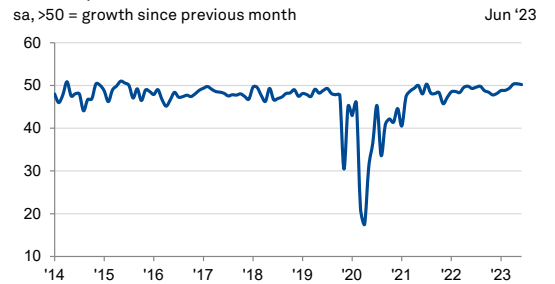
New Export Orders Index



New export orders

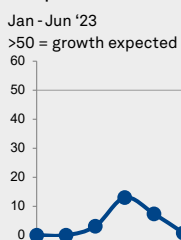
June survey data highlighted a third consecutive monthly improvement in sales received by private sector firms in Lebanon from non-domestic customers. Subsequently, this signalled the longest uninterrupted sequence of growth in new export orders since data collection began in May 2013. The latest improvement was marginal and slightly softer than seen in the prior month.

New Export Orders Index



Business expectations

Future Output Index



Having picked up in earlier months of 2023, the Future Output Index declined once again in June, dropping to a four-month low and signalling a worsening of business confidence among private sector companies in Lebanon. Uncertainty towards the domestic political and economic outlook was widely cited by survey respondents.

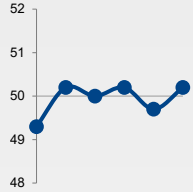
Future Output Index



Employment and capacity

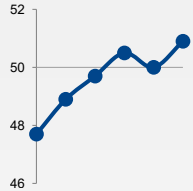
Employment Index

Jan - Jun '23
sa, >50 = growth



Backlogs of Work Index

Jan - Jun '23
sa, >50 = growth



Employment

Private sector staffing levels in Lebanon increased during June, reversing May's decline. This was signalled by the respective seasonally adjusted index registering above the 50.0 no-change mark. The rise in employment was the third seen in the past five months, albeit only fractional overall.

Backlogs of work

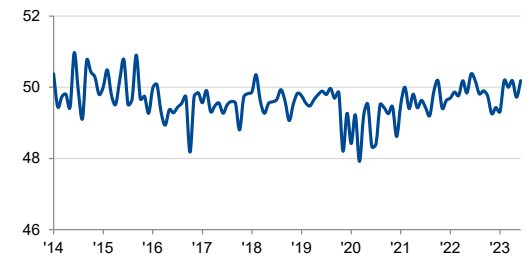
June survey data indicated a rise in capacity pressures across Lebanon's private sector economy. The volume of work outstanding increased modestly at the end of the second quarter, with the rate of backlog accumulation the second-strongest since the survey started in May 2013.

Employment Index

sa, >50 = growth since previous month

50.2

Jun '23



Backlogs of Work Index

sa, >50 = growth since previous month

50.9

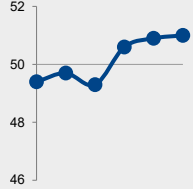
Jun '23



Purchasing and inventories

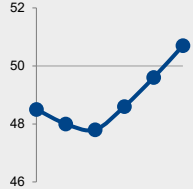
Quantity of Purchases Index

Jan - Jun '23
sa, >50 = growth



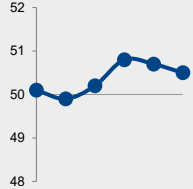
Suppliers' Delivery Times Index

Jan - Jun '23
sa, >50 = faster times



Stocks of Purchases Index

Jan - Jun '23
sa, >50 = growth



Quantity of purchases

Input purchasing growth was sustained by private sector companies in Lebanon at the end of the second quarter, extending the current growth sequence that started in April. Moreover, the expansion in buying was the quickest since January 2015, albeit marginal overall.

Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index registered above the 50.0 no-change mark in June, indicating the first shortening of average vendor lead times since October 2019. Overall, the improvement in supplier performance was the strongest in nearly six years.

Stocks of purchases

Private sector businesses in Lebanon raised their stocks of purchases at the midway point in 2023. The expansion in warehoused inputs was broadly in line with that seen on average across the survey history, albeit the weakest seen in three months.

Quantity of Purchases Index

sa, >50 = growth since previous month

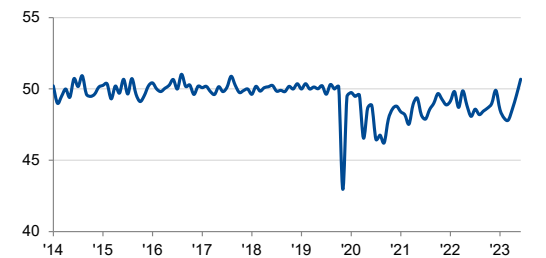
51.0
Jun '23



Suppliers' Delivery Times Index

sa, >50 = faster times since previous month

50.7
Jun '23



Stocks of Purchases Index

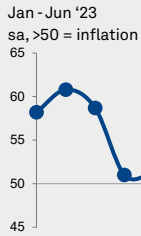
sa, >50 = growth since previous month

50.5
Jun '23



Prices

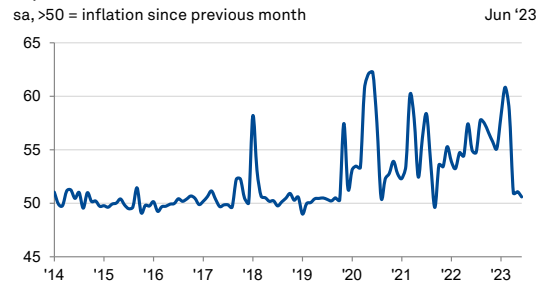
Input Prices Index



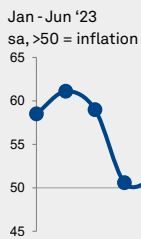
Overall input prices

After rapid month-on-month increases during the first quarter of 2023, private sector companies in Lebanon registered the slowest rise in their overall operating costs since September 2021 during June. The slower rate of increase primarily reflected a cooling of purchase price inflation.

Input Prices Index



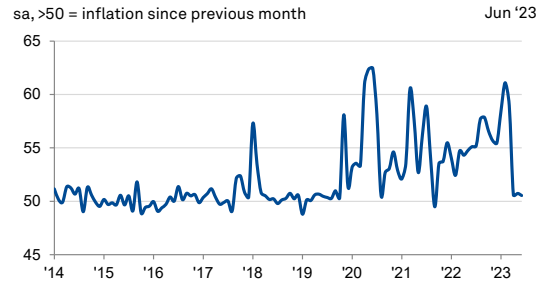
Purchase Prices Index



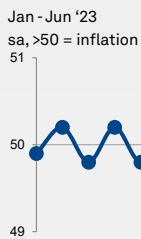
Purchase prices

Prices paid by private sector firms in Lebanon for purchased items rose during June, although the rate of inflation was only marginal and slowed to a 21-month low. Where a rise in purchase costs was reported, this was generally linked to greater prices for imported dollar-denominated materials.

Purchase Prices Index



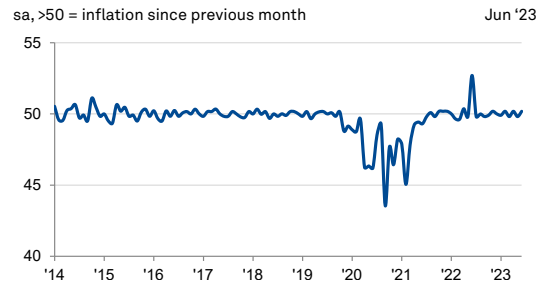
Staff Costs Index



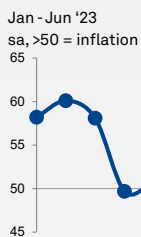
Staff costs

Amid a renewed uplift in staffing levels, the seasonally adjusted Staff Costs Index registered above the 50.0 no-change level in June, indicating greater average wage bills for private sector firms in Lebanon. The increase was fractional overall.

Staff Costs Index



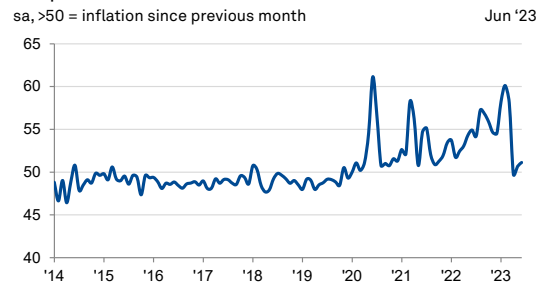
Output Prices Index



Output prices

Prices charged by private sector companies in Lebanon increased for a second successive month during the latest survey period. The rate of inflation accelerated to a three-month high but was only modest overall. Just over 2% of survey respondents lifted their fees in June, compared with 97% that recorded no change since May.

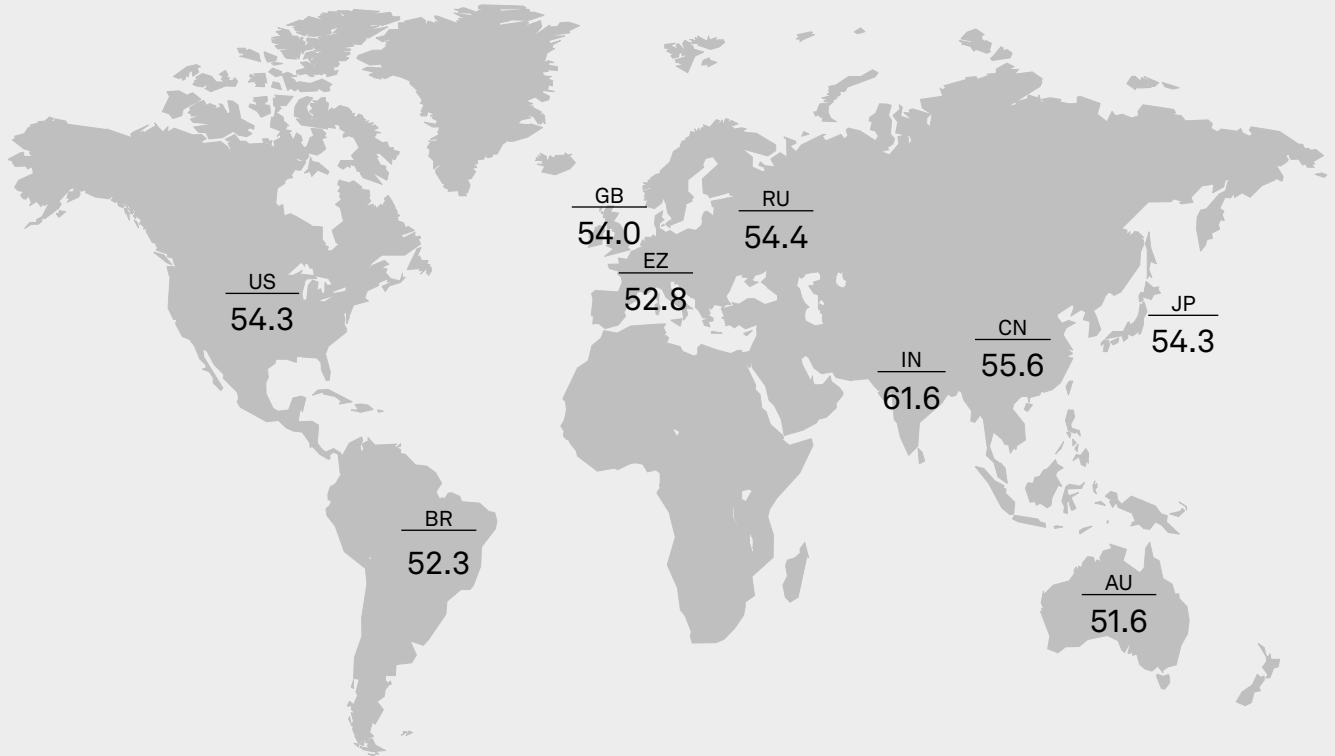
Output Prices Index



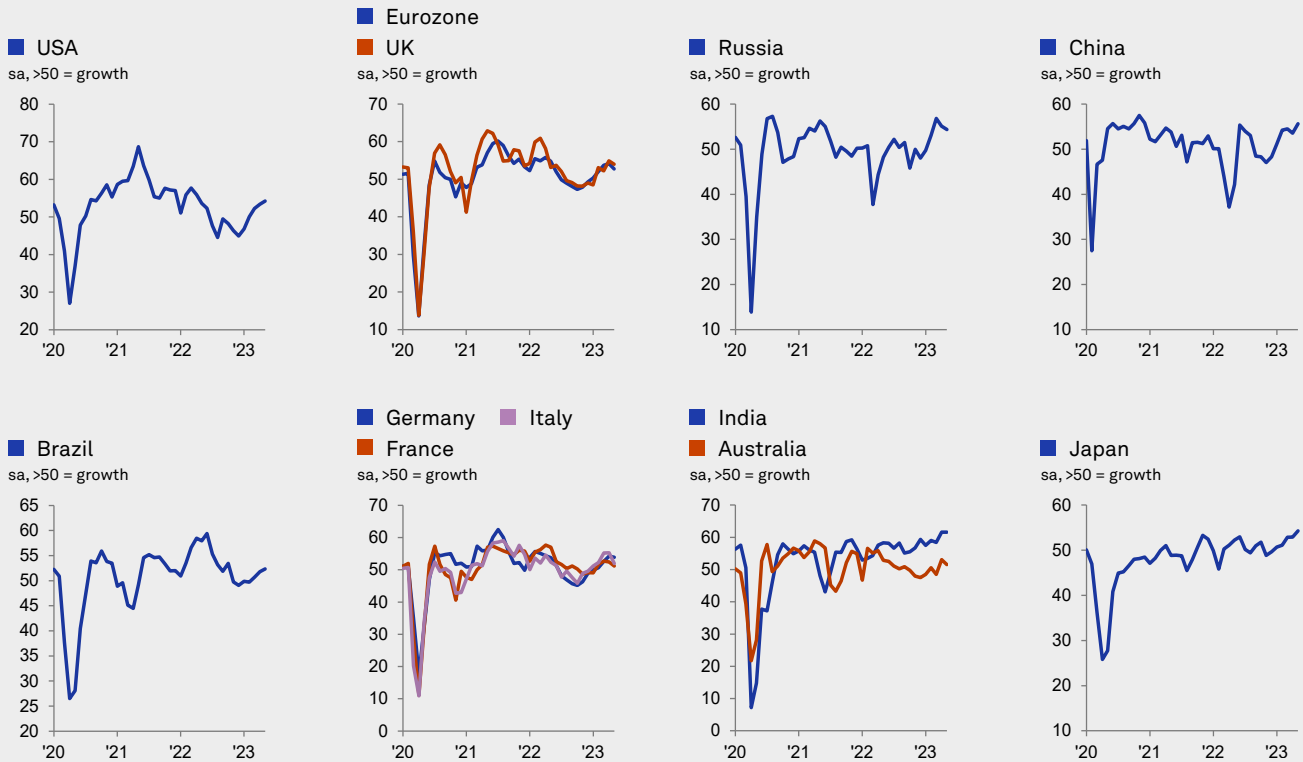
International PMI

Composite Output Index, May '23
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index



Survey methodology

The BLOM Lebanon PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services. Data were first collected May 2013.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates

Data were collected 12-26 June 2023.

Survey questions

Private sector

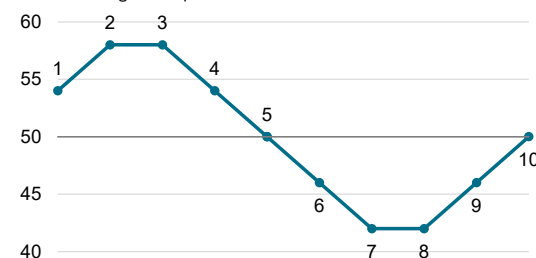
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

$$\% \text{ "Higher" } + (\% \text{ "No change" }) / 2$$

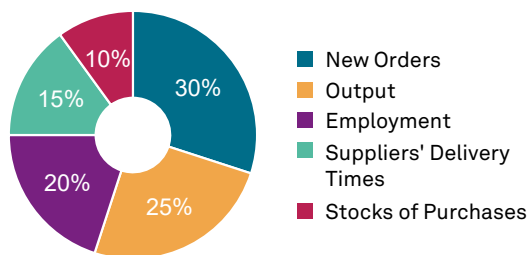
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

PMI component weights



Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

C Manufacturing	M Professional, Scientific and Technical Activities
F Construction	N Administrative and Support Service Activities
G Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	P Education*
H Transportation and Storage	Q Human Health and Social Work Activities*
I Accommodation and Food Service Activities	R Arts, Entertainment and Recreation
J Information and Communication	S Other Service Activities
K Financial and Insurance Activities	

*Private sector

Index summary

Private sector

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Future Output*	Employment	Backlogs of Work	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Overall Input Prices	Purchase Prices	Staff Costs	Output Prices
01 '23	47.7	45.6	45.6	48.8	0.0	49.3	47.7	49.4	48.5	50.1	58.2	58.5	49.9	58.2
02 '23	48.8	47.4	47.1	48.9	0.0	50.2	48.9	49.7	48.0	49.9	60.8	61.1	50.2	60.1
03 '23	49.7	48.9	48.8	49.3	3.1	50.0	49.7	49.3	47.8	50.2	58.7	59.0	49.8	58.1
04 '23	49.5	48.6	48.6	50.3	13.0	50.2	50.5	50.6	48.6	50.8	51.0	50.6	50.2	49.7
05 '23	49.4	48.9	48.8	50.4	7.4	49.7	50.0	50.9	49.6	50.7	51.1	50.8	49.8	50.7
06 '23	50.2	50.4	50.3	50.2	0.8	50.2	50.9	51.0	50.7	50.5	50.6	50.5	50.2	51.1

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About BLOMINVEST BANK

BLOMINVEST BANK, established in 1994, is the investment arm of BLOM Bank SAL, one of the largest banks in Lebanon. As part of its expansionary vision towards the MENA region, the bank has established one investment arm in Saudi Arabia, "BLOMINVEST KSA" and launched three brokerage and trading firms in Egypt, Syria, and Jordan, namely "BLOM Bank Egypt Securities", "Syria and Overseas for Financial Services", and "Financial Services Experts Company". BLOMINVEST BANK is one of few institutions within the greater Levant region that offer Private banking, Investment banking, Asset Management, Brokerage, and Research services under one roof. Based on its track record, BLOMINVEST BANK to date remains the most awarded local investment bank.
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About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
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PMI®

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